

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER

Office of Tax and Revenue



FISCAL YEAR 2003 BUDGET SUPPORT AMENDMENT EMERGENCY ACT OF 2002

The Office of Tax and Revenue announced the following tax-related changes as required by the Fiscal Year 2003 Budget Support Amendment Emergency Act of 2002, which was signed by the Mayor on December 4, 2002. The changes below became effective January 1, 2003.

Tax Category	Fiscal Year 2003 Budget Support Amendment Emergency Act of 2002
Deed Recordation Tax	<ul style="list-style-type: none">• Recordation tax on all deeds is increased from 1.1% to 1.5%. “Deed” includes a deed of title, construction loan, long-term lease, and a deed of trust (mortgage), not recorded with the deed of title and not exempt as residential.• Transfer tax on all transfers of deeds is increased from 1.1% to 1.5%. Here “deed” is limited and generally refers to a deed of title or long-term lease.• Recordation and transfer taxes remain at 1.1% each (2.2% combined), <u>if</u> the property qualifies for a homestead deduction; the application for the homestead deduction accompanies the deed; the deed is recorded within 30 days of the transfer; and the buyer paid \$250,000 or less.• Recordation tax on the transfer of an economic interest in real property is increased from 2.2% to 3.0%. There is no transfer tax on a transfer of an economic interest. <p><u>Other-Type Funds and Adjustments to Other Fees and Charges</u></p> <ul style="list-style-type: none">• Recorder of Deeds surcharge increased by 30%, increasing the surcharge from \$5.00 to \$6.50.
Excise Tax	<ul style="list-style-type: none">• Tax rate on sale of spirituous or malt liquors, beers and wine sold for consumption off premises increased from 8% to 9%.• Tax on sale of cigarettes increased from 3.25 cents per cigarette to 5 cents per cigarette.• Tax rate on gross receipts from telephone bills rendered after December 31, 2002, heating oil deliveries after December 31, 2002, and natural or artificial gas by a non-public utility person delivered after December 31, 2002 increased from 10% to 11%.• Tax on gross receipts from toll and wireless telecommunications service increased from 10% and 11%.
Franchise Tax	<ul style="list-style-type: none">• Corporation and Unincorporated Business – Tax rate will remain at 9.975 % for taxable years beginning after December 31, 2002 and December 31, 2003.

(continued)

Inheritance and Estate	<ul style="list-style-type: none"> • DC is de-coupling from federal phase-out of the estate tax. The amount of unified credit is frozen at \$675,000 and does not increase as federal credit increases.
Real Property Tax	<ul style="list-style-type: none"> • Creates Class 3 tax rate of \$5 per \$100 of assessed value on vacant property. Provides exceptions for certain properties to remain at lower Class 1 or Class 2 tax rates. • Provides general appeal rights for Class 3 Property owners, and creates a 30-day appeal right specific to those notices mailed out before January 1, 2003. • Conforms appeals procedure to property classification mergers (OTR recently went from 5 classes of property to only 3 classes). Provides for appeals by new owners at specific intervals year-round (depending on when they became the new owners). • Eliminates requirement of assessor to mail worksheets as a result of an administrative appeal in a supplemental assessment, if the final decision does not result in an assessment change (conformed to annual assessment appeal process). <u>Supplemental assessments typically are triggered by new construction and renovations.</u> • Provides appeal rights in homestead/senior/classification reversals analogous to assessment appeals for new owners. • Assures that senior deduction is computed after the homestead deduction has been taken (where applicable). • Eliminates homestead requirement for a trash credit and extends credit to all Class 1 Property (occupied-residential) with 4 or more dwelling units.